

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION W-4258
March 27, 2001

R E S O L U T I O N

**(RES. W-4258), KENWOOD VILLAGE WATER COMPANY (KVWC).
ORDER AUTHORIZING AN OFFSET RATE INCREASE OF \$12,133 OR
8.13% ADDITIONAL REVENUE FOR INCREASED LABOR.**

SUMMARY

By Advice Letter No. 46, filed February 5, 2001, KVWC seeks revision of tariff schedules No. 1, Metered Service, and No. 2, Cost To Serve Agreement, to provide an increase in rates to reflect an offset in operating costs. This resolution authorizes KVWC to increase rates by \$12,133 or 8.13% to recover additional labor costs. The revenue increase will recover only the added costs and will not increase profits or effect the rate of return last authorized for KVWC.

BACKGROUND

KVWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates in order to offset its cost of hiring a permanent part-time Grade II Certified Operator on January 2, 2001. Growth of the company in terms of customers, structural system components and reporting requirements creates the need for increased labor.

The present rates became effective February 3, 2001 pursuant to Res. W-4245, dated January 18, 2001, which authorized a \$24,408 or 18.46% at a 13.0% rate of return increase for 2001 for recovery of capital improvements known as the Treehaven Project, now used and useful.

NOTICE AND PROTESTS

Notice of the proposed increase was published in the local Press Democrat Newspaper on February 7, 2001. No protest letters were received.

DISCUSSION

Maintenance, customer service in the field, monitoring and on-call coverage, meter reading, plus regulatory compliance and reporting now require hiring this well qualified employee. Since 1991, KVWC has added one tank at 212,000 gallons of storage capacity, one new well and pump station, 4,224 feet of pipe, requirements to test for 75 additional chemical constituents and 50 new customers. KVWC presently serves approximately 297 metered rate customers in the unincorporated area known as Kenwood Village, immediately north of Kenwood in Sonoma County.

The total cost of this new employee is \$32,812. The additional labor will be used by KVWC and Penngrove Water Company, the two water utilities owned by the parent company, Altos Sonoma Corporation. The additional labor cost will be apportioned according to each company's percent of the total number of connections: 63% for Penngrove Water Company (508/805) or \$20,671 and 37% for KVWC (297/805) or \$12,140.

This permanent part-time laborer works 6 hours per day for 4 days a week or 104 hours per month. The beginning hourly wage is \$18.00 for the first four months and then increases to \$20.00 per hour for the remaining eight months for the first year's costs.

The proposed rate design establishes two-thirds of the increase upon the cost of service charge and the remaining one-third onto the commodity charge. The proposed rate design submitted by the company did not use the Branch rate design policy of service charge allocation by meter size. Branch and company agreed to redesign the new rate structure pursuant to D.85-06-064 and the ensuing Memorandum from the Branch dated January 18, 1991 for the cost of service portion. Branch discovered the cost of service charges were not allocated to KVWC's Schedule No. 2, although new rates were requested. The new rates and ensuing revenue were adjusted to include KVWC's Schedule No. 2, Cost to Serve Agreement.

The monthly bill for the average customer of KVWC on the 5/8-inch schedule will rise approximately \$2.93 or 6.87% for a total bill of \$45.63.

FINDINGS

THE COMMISSION finds, after investigation by the Branch, that:

1. The rate increase proposed by the Branch is just and reasonable to recover the costs associated with increased labor costs.

THEREFORE IT IS ORDERED THAT:

1. Kenwood Village Water Company is authorized to file a supplemental advice letter to incorporate the rate schedules attached to this resolution as Appendix A, and concurrently to cancel its presently effective rate schedules No. 1, Metered Service, and No. 2, Cost to Serve Agreement. The effective date of the revised rate schedules shall be five days after the date of this resolution.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 27, 2001; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

APPENDIX A RATES

Kenwood Village Water Company Advice Letter 45 Ratebase Offset

Schedule No. 1 METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated area known as Kenwood Village, immediately north of Kenwood, Sonoma County.

RATES

Quantity Rates:

All Water, per 100 cu. ft. \$1.068 (I)

Service Charges:

	<u>Per Meter Per Month</u>	<u>Per Meter Per Month SDWBA Surcharge</u>
For 5/8 x 3/4-inch meter	\$25.12 (I)	10.22
For 3/4-inch meter	30.14	15.33
For 1-inch meter	44.24	25.55
For 1.5-inch meter	60.77	51.09
For 2-inch meter	81.67	81.75
For 3-inch meter	375.89	153.28
For 4-inch meter	626.44 (I)	255.46

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service, and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The Safe Drinking Water Bond Act (SDWBA) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Resolution F-636.
2. All bills are subject to the reimbursement fee as set forth in Schedule No. UF.

Appendix A Rates (continued)

**Kenwood Village Water Company
Advice Letter 45 Ratebase Offset**

**Schedule No. 2
COST TO SERVE AGREEMENT**

APPLICABILITY

Kenwood Inn

TERRITORY

In the unincorporated area known as Kenwood Village, immediately north of Kenwood, Sonoma County.

RATES

Quantity Rates:

All Water, per 100 cu. ft. \$1.565 (I)

Service Charges:

	Per Meter Per Month	
For 4-inch meter	66.45	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service, and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee as set forth in Schedule No. UF.

APPENDIX B COMPARISON OF RATES

Kenwood Village Water Company Advice Letter 46 Ratebase Offset

	Per Service Connection Per Year			
	Present Rates \$	Recommended Rates \$	Percent Change %	
METERED Sch. No.1				
Service Charge:				
5/8 x 3/4-inch meter	279.36	301.44	7.90	
3/4 - inch	329.28	361.68	9.84	
1-inch meter	472.08	530.88	12.46	
1 1/2 - inch	635.64	729.24	14.73	
2-inch meter	857.04	980.04	14.35	
3-inch meter	4,187.88	4,510.68	7.71	
4-inch meter	6979.68	7,517.28	7.70	
QUANTITY				
All water, per 100 cu.ft.	1.011	1.068	5.64	
The monthly comparison bill for a customer with a 5/8 x 3/4 -inch meter shown below does not include the SDWBA surcharge:				
Usage in CCF (100 Cu. Ft.)	Present Bill \$	Recommended Bill \$	Amount Increase \$	Increase %
0	23.28	25.12	1.84	7.90
5	28.34	30.46	2.13	7.50
10	33.39	35.80	2.41	7.22
15	38.45	41.14	2.70	7.01
19.2 average	42.69	45.63	2.93	6.87
25	48.56	51.82	3.27	6.72
30	53.61	57.16	3.55	6.62

APPENDIX C

ADOPTED QUANTITIES

**Kenwood Village Water Company
Advice Letter 46 Ratebase Offset**

Taxes

Federal Tax Rate 39%
State Tax Rate..... 8.84%

Ad Valorem Taxes\$2,059

Tax Rate 1.000%
Assessed Value\$290,460

Expenses

Purchased power.....\$10,600

Pacific Gas & Electric

Rate Schedule A - 10

Effective Date of Schedule..... 01/01/99

kWh** Used Total 52,500

**Rates for per kWh usage varies and is based on the
weighted average costs for purchase through the Power
Exchange. This service is subject to competition.

Customer Charge..... 482

Payroll

Management Salary\$22,509
Field labors\$20,134
Office Salary\$4,800
Total Payroll\$47,443
Payroll taxes.....\$5,689

Water Testing\$2,300

Adopted Quantities (continued)

Kenwood Village Water Company Advice Letter 46 Ratebase Offset

Service Connections

Metered Rate:

5/8 x 3/4-inch	286
1-inch.....	6
2-inch.....	4
4-inch (schedule 2)	1
Total Connections	297

Metered water sales used to design metered rates..... **68,471 Ccf**

Adopted Tax Calculations

Kenwood Village Water Company A.L #46 ratebase offset increase

Line	Item	State Tax	Federal Tax
		\$\$	\$\$
1.	Operating Revenues	12,140	12,140
2.	Expenses	8,927	8,927
3.	Taxes other than Income	3,213	3,213
4.	Depreciation Expense	none	none
5.	Interest	none	none
6.	Taxable Income for State Tax	none	none
7.	State Tax (at 8.84%)	none	none
8.	Taxable Income for FIT		none
9.	Federal Income Tax (at 39%)		none
10.	Total Income Taxes		none